

February 19, 1999

John Carney

President

Eastern Edison Company

750 West Center Street, P.O. Box 543

West Bridgewater, MA 02379

Re: Purchased Power Agreements, D.T.E. 98-62

Dear Mr. Carney:

On July 1, 1998, the Department of Telecommunications and Energy ("Department") required each electric company to submit various information concerning each of its purchased power agreements ("PPA") pursuant to Section 193, Section 1G(d)(2)(i) of the Electric Utility Restructuring Act (Chapter 164 of the Acts of 1997) ("Act"). As required by the Act, the Department shall review PPAs in order to determine if they contain a price for electricity that is above-market as of the date of review. If, as of the date of review, a contract price is determined to be above-market, the electric company and the seller under the PPA "shall attempt to make a good-faith effort to renegotiate such contract in order to achieve further reductions in the transition charge." G.L. c. 164, § 1G(d)(2)(i). The standard of good faith "shall not require either party to agree to a proposal or require the making of concessions, but shall require active participation in negotiations and a willingness to make reasonable concessions in order to equitably mitigate stranded costs, and to provide justification for proposals, and a sincere effort to reach agreement." Id.

Further, the Act states that if an electric company has, as part of a Department-approved divestiture plan assigned such contract to a buyer having adequate financial resources, the electric company shall have met its obligations under this paragraph. Id. In addition, if a seller under such a contract has consented to assignment of the existing contract to the buyer and has agreed to release the electric company from its obligations under such contract, the seller shall have met its obligations under the Act.

On July 31, 1998, Eastern Edison Company ("EECo" or "Company") submitted the requested information. On October 14, 1998, the Department requested additional information with regard to EECo's affiliate, Montaup Electric Company's ("Montaup") PPAs. Responses to these additional requests were provided on October 23, 1998.

As demonstrated in the filings, EECo terminated its all-requirements contract with Montaup and noted that it has no PPAs affected by the Restructuring Act. In mid-1998, Montaup negotiated the termination of three PPAs affecting EECo. In addition, Montaup has continued its efforts to negotiate and/or divest its remaining PPAs. Some of these efforts have recently come to fruition. Based on the foregoing, we find that EECo has demonstrated an attempt to make a good-faith effort to renegotiate its above-market PPAs, or has otherwise met its obligations within the meaning of G.L. c. 164, § 1G(d)(2)(i). As required by the Act, the Company shall report to the Department any change in the status of its PPAs within 30 days.

Sincerely,

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Janet Gail Besser, Chair

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

cc: George B. Dean, Esq.

David A. Fazzone, Esq.